GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:1380
ANSWERED ON:18.07.2014
CORPORATE SOCIAL RESPONSIBILITY
Ajmal Maulana Badruddin;Kodikunnil Shri Suresh

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Government proposes to include Corporate Social Responsibility (CSR) for all the public and private sector companies under the new Companies Act, 2012 mandating compulsory expenditure of two per cent of their profits on various social activities including improvement of health sector and if so, the details thereof along with the activities under CSR allowed in the existing CSR Policy;

(b) whether the Government proposes to include more activities and enhance expenditure in the existing CSR for the said companies and if so, the details thereof along with the annual average expenditure incurred by the companies including Mahanavratna and Navratna companies under CSR during each of the last three years and the current year;

(c) whether the cases of under misutilisation of funds by the said companies under CSR have come to the notice of the Government during the said period and if so, the details thereof, company-wise and the action taken by the Government thereon;

(d) whether the Government has put in place any monitoring mechanism to monitor the utilisation of funds by the said companies under CSR and if so, the details thereof; and

(e) the other steps taken/being taken by the Government to ensure proper implementation of CSR and judicious use of funds therein by the said companies?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) to (e): Section 135 of the Companies Act 2013 mandates every company above a certain threshold level of turnover or net worth or net profit to spend at least two per cent of its average net profits during the three immediately preceding financial years on Corporate Social Responsibility (CSR). Activities that can be undertaken have been specified in Schedule VII of the Act, which is annexed. As announced in the budget speech of Hon'ble Finance Minister, 'Slum Development' is also proposed to be added to Schedule VII.

As per provisions of the Act, monitoring of implementation of CSR policy is with the Board of the Company. Besides, Audit under the Companies Act will also afford effective monitoring in this regard. In order to provide guidelines to corporates for proper implementation of CSR, the Ministry has also issued a series of clarifications through a General Circular dated 18th June 2014 (http://www.mca.gov.in), that deals with certain matters not covered under the Act or Rules but which facilitate smooth implementation of their CSR Policies.

The provisions of CSR under Section 135 of the Companies Act, 2013 and Rules made thereunder have come into force only recently, i.e., 01.04.2014. Details about the expenditure incurred by the companies under CSR would be available to Ministry of Corporate Affairs only after the mandatory disclosures of CSR expenditure are made by companies, which would be due within six months after completion of financial year 2014-15, i.e. after September 2015. Department of Public Enterprises have informed that no complaints of misutilisation of CSR funds by Maharatna companies have come to their notice.